



City of Dublin

Office of the City Manager

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Memo

To: Members of Dublin City Council

From: Dana L. McDaniel, City Manager 

Date: July 10, 2015

Initiated By: Angel L. Mumma, Director of Finance

Re: Ordinance No. 45-15 – Establishing a Tax Increment Financing Incentive District (Bridge Park Incentive District)

Summary

In conjunction with Ordinance No. 44-15, which authorizes the City Manager to enter into a Development Agreement with Crawford Hoying Development Partners, LLC ("Developer") for the development of property within the Bridge Street District ("BSD"), Ordinance 45-15 proposes the establishment of the Bridge Park Incentive District for the project known as Bridge Park.

Authorized under Ohio Revised Code 5709.40(C), an Incentive District is a type of Tax Increment Financing (TIF) that applies to owner-occupied housing. Like commercial TIFs, improvements to a parcel are considered a public purpose and exempt from taxation. Property owners are required to make service payments in lieu of the incremental increase in taxes (referred to as PILOTS – payments in lieu of taxes or Service Payments). The amount of these payments is equal to the taxes that would have been due had the Incentive District not been in place. Therefore, a property owner pays no more or less in property taxes/service payments as a result of an Incentive District.

Bridge Park Incentive District

While the Bridge Park Incentive District will only apply to the owner-occupied housing portions of the Bridge Park project, the boundaries of the Incentive District will match the entire Bridge Park Development (see Exhibit A of Ordinance 45-15). This is done so that in the future, apartment units, which are considered commercial for taxation purposes, could be converted to owner-occupied condominiums.

Currently, owner-occupied housing is only planned on Block Z (west side of the Scioto River) and Block H (east side of the Scioto River). For the purposes of projecting potential service payments, staff has estimated that the market valuation of the owner-occupied private improvements will be \$52.6 million. Based on the current millage, and assuming no growth in property valuations, it is estimated that the Incentive District will generate approximately \$1,575,000 annually in years 16-30 – prior to any County or School compensation (see discussion below). A negligible amount of service payments is anticipated in years 1-15 of the Incentive District as a result of a 15-year, 100% property tax abatement on owner-occupied housing, as outlined in the Development Agreement.

The service payments generated within the Incentive District will be used to fund the public roadway improvements, parking garages and a conference/events facility. The Development Agreement, and more specifically, Exhibit E, "Application of Service Payments and NCA Revenues," indicates how the service payments generated from the improvements will be applied.

The proposed Bridge Park Incentive District is within the defined area covered by the Bridge Street District Cooperative Agreement between the Dublin City School District (DCS) and the City. As a reminder, the Cooperative Agreement permits the City to authorize various tax incentives, including TIFs, within the BSD that provide for the following (for each incentive authorized):

- Years 1-15 – DCS agrees to forgo 100% of the applicable real estate taxes in respect of the improvements to any particular parcel within the applicable tax incentive district.
- Years 16-30 – DCS will receive 10% of what it would have received if the applicable tax incentive district had not been in place.

Additionally, as part of the Cooperative Agreement, DCS waived any right to receive notification of the passage of any Ordinance or legislation authorizing the real property tax exemptions. However, staff has notified Dublin City Schools that this new Incentive District within the Bridge Street District is being considered by City Council.

Incentive Districts differ from commercial TIFs in that there are some property tax levies that are protected by statute. These include levies approved after January 1, 2006 for MRDD, senior services, ADAMH, the library, children's services, and the zoo. Additionally, ORC stipulates if there is not a mutually agreed upon compensation agreement with the Board of County Commissioners, a prescribed compensation amount must be paid to the County in years 11-30 of the Incentive District.

The City and the developer have proposed a tax sharing plan with Franklin County, which was rejected by the Franklin County Board of Commissioners on June 16, 2015. Such rejections are not unusual for these proposals, and the County's resolution contemplates continued negotiations toward a mutually acceptable compensation agreement with the City of Dublin. If such negotiations prove unsuccessful, the Ohio Revised Code 5709.40(C) establishes the formula for compensation to the "protected" levies. The financial models used by the developer and the City have assumed worst case scenarios, based upon these statutory provisions.

Any compensation that is due to the County will be paid directly from the service payments received within the Incentive District.

Process to establish an Incentive District

State statute provides the process, which must be followed in order to create an Incentive District. The steps are as follows:

1. Notice must be provided to the real property owners whose property is located within the boundaries of the Incentive District. This notice must include a date that a Public Hearing will be conducted.

Status: Notices were mailed via first class mail on March 12, 2015 to the then property owners whose property was located within the boundaries of the proposed Incentive District. The property owners included: City of Dublin, Crawford Hoying Development Partners, LLC, and the Central Ohio Transit Authority (COTA). The notice indicated that the public hearing would be held on April 13, 2015.

2. A public hearing must be conducted.

Status: A Public Hearing was conducted on April 13, 2015. The minutes from that meeting are attached for reference.

3. City Council will consider an Ordinance to create the Incentive District

Status: First reading of the Ordinance to create the Incentive District is scheduled for Monday, July 13, 2015, with second reading/public hearing scheduled for Monday, August 10, 2015. Staff will recommend approval of Ordinance 45-15 as an emergency on August 10, 2015.

Recommendation

Staff recommends that City Council adopt Ordinance No. 45-15 by emergency at the second reading/public hearing on August 10, 2015.

RECORD OF ORDINANCES

Dayton Legal Blank, Inc.

Form No. 30043

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Ordinance No. _____

Passed _____, 20____

AN ORDINANCE CREATING A TAX INCREMENT FINANCING INCENTIVE DISTRICT; DECLARING IMPROVEMENTS TO THE PARCELS WITHIN THE INCENTIVE DISTRICT TO BE A PUBLIC PURPOSE AND EXEMPT FROM REAL PROPERTY TAXATION; REQUIRING THE OWNERS OF THOSE PARCELS TO MAKE SERVICE PAYMENTS IN LIEU OF TAXES; ESTABLISHING A MUNICIPAL PUBLIC IMPROVEMENT TAX INCREMENT EQUIVALENT FUND FOR THE DEPOSIT OF THOSE SERVICE PAYMENTS; SPECIFYING THE PUBLIC INFRASTRUCTURE IMPROVEMENTS THAT BENEFIT OR SERVE PARCELS IN THE INCENTIVE DISTRICT; AUTHORIZING COMPENSATION PAYMENTS TO THE DUBLIN CITY SCHOOL DISTRICT AND THE TOLLES CAREER AND TECHNICAL CENTER; AND DECLARING AN EMERGENCY.

WHEREAS, the City has prepared a strategy for comprehensive development within an area of the City known as the Bridge Street District (which area is referred to herein as the "*District*") and has endeavored to work collaboratively with public entities, including the Dublin City School District ("*Dublin School District*") and the Tolles Career and Technical Center ("*Tolles Career Center*"), and private entities to plan for and facilitate the development of the District; and

WHEREAS, the City's strategy for development within the District is primarily focused on creating a new, more urban core for the City, including a dynamic mix of commercial and residential development types generally not currently available within the City; and

WHEREAS, the City and Crawford Hoying Development Partners, LLC have proposed to enter into a development agreement and other related agreements which will generally provide for the redevelopment of the Parcels (as defined below) and the construction of a redevelopment project which will include various uses, including but not limited to, 112 new owner-occupied residences (collectively, the "*Project*"); and

WHEREAS, to facilitate the development of the Project, and pay the associated costs of improvements and related incentives, this Council has determined pursuant to Ohio Revised Code Sections 5709.40, 5709.42 and 5709.43 (collectively, the "*TIF Statutes*") to declare the improvement to each parcel of real property located within the incentive district to be a public purpose and exempt from taxation, require the owner of each parcel to make service payments in lieu of taxes, provide for the distribution of the applicable portion of those service payments to Franklin County, Ohio, establish a municipal public improvement tax increment equivalent fund for the deposit of the remainder of those service payments, specify public infrastructure improvements made, to be made or in the process of being made that benefit or serve, or that once made will benefit or serve, parcels in the incentive district, and to provide for the distribution of an applicable portion of such service payments to the Dublin School District and Tolles Career Center; and

WHEREAS, this Council has determined to create the Bridge Park Residential Incentive District, a residential incentive district (the "*Incentive District*"), the boundaries of which will be coextensive with the boundaries of, and will include, the parcels of real property specifically identified and depicted in **EXHIBIT A** attached hereto (as currently or subsequently configured, the "*Parcels*", with each of those parcels referred to herein individually as a "*Parcel*"); and

WHEREAS, by Ordinance No. 15-13 passed on July 1, 2013, this Council approved a Bridge Street District Area Plan (the "*Economic Development Plan*"), which Economic Development Plan is on file in the City Department of Development; and

WHEREAS, the City Engineer has certified to this Council that (i) the Incentive District is less than 300 acres in size and enclosed by a contiguous boundary, and (ii) the public infrastructure serving the Incentive District is inadequate to meet the development needs of the Incentive District as evidenced by the Economic Development Plan; and

WHEREAS, this Council has determined to provide for the construction of public infrastructure improvements described in **EXHIBIT B** attached hereto (the "*Public Infrastructure Improvements*"), which Public Infrastructure Improvements, once made, will benefit or serve the Parcels; and

WHEREAS, the Board of Education of the Dublin School District has heretofore adopted a resolution on April 14, 2014 waiving the provision of certain notices, approving the tax exemption of the Improvements (as described in Section 3), authorizing an agreement (which has heretofore been executed) between the City and the Dublin School District providing for the remission of certain payments to the Dublin School District (the "*Dublin School District Agreement*") and making other findings with respect to the tax exemption; and

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WHEREAS, the Board of Education of the Tolles Career Center has heretofore adopted a resolution on June 26, 2014 waiving the provision of certain notices, approving the tax exemption of the Improvements, authorizing an agreement (which has heretofore been executed) between the City and the Tolles Career Center providing for the remission of certain payments to the Tolles Career Center (the "*Tolles Career Center Agreement*") and making other findings with respect to the tax exemption; and

WHEREAS, notice of this proposed ordinance has been delivered to the Board of County Commissioners of Franklin County, Ohio in accordance with and within the time periods prescribed in Section 5709.40(E) of the Ohio Revised Code; and

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Dublin, State of Ohio, _____ of the elected members concurring, that:

Section 1. Incentive District Projects: Creation of Incentive District. This Council finds and determines that the Project will place additional demand on the Public Infrastructure Improvements. This Council further finds that the sum of the taxable value of real property in the Incentive District for tax year 2014 and the taxable value of all real property in the City that would have been taxable in tax year 2014 were it not for the fact that the property was in an existing incentive district and therefore exemption from taxation, does not exceed twenty-five percent of the taxable value of real property within the City for tax year 2014. Pursuant to the TIF Statutes, this Council creates the Incentive District, the boundaries of which are coextensive with the boundaries of, and include, the Parcels specifically identified and depicted in **EXHIBIT A**.

Section 2. Public Infrastructure Improvements. This Council designates the Public Infrastructure Improvements described in **EXHIBIT B** attached hereto, and any other public infrastructure improvements hereafter designated by ordinance, as public infrastructure improvements made, to be made or in the process of being made by the City that benefit or serve, or that once made will benefit or serve, the Parcels.

Section 3. Authorization of Tax Exemption: Life of Incentive District. Pursuant to and in accordance with the provisions of Section 5709.40(C) of the Ohio Revised Code, this Council hereby declares that 100% of the increase in assessed value of each Parcel subsequent to the effective date of this Ordinance (which increase in assessed value is hereinafter referred to as the "Improvement," as defined in Section 5709.40(A) of the Ohio Revised Code) is a public purpose and exempt from taxation for a period coextensive with the life of the Incentive District. The life of the Incentive District commences with the first tax year that begins after the effective date of this Ordinance and in which an Improvement attributable to a new structure would first appear on the tax list and duplicate of real and public utility property for any Parcel within the Incentive District were it not for the exemption granted in this Ordinance and ends on the earlier of (a) 30 years after such commencement or (b) the date on which the City can no longer require service payments in lieu of taxes, all in accordance with the requirements of the TIF Statutes. Notwithstanding any other provision of this Ordinance, the exemption granted pursuant to this Section 3 and the payment obligations established pursuant to Section 4 of this Ordinance are subject and subordinate to any tax exemption applicable to the Improvement approved by the City pursuant to Sections 3735.65 through 3735.70 of the Ohio Revised Code.

Section 4. Service Payments and Property Tax Rollback Payments. Subject to any tax exemption applicable to the Improvement approved by the City pursuant to Sections 3735.65 through 3735.70 of the Ohio Revised Code, and pursuant to Section 5709.42 of the Ohio Revised Code, the owner of each Parcel is hereby required to make annual service payments in lieu of taxes with respect to the Improvement to that Parcel to the Treasurer of Franklin County, Ohio (the "*County Treasurer*") on or before the final dates for payment of real property taxes. Each service payment in lieu of taxes, including any penalties and interest at the then current rate established for real property taxes (collectively, the "*Service Payments*"), will be charged and collected in the same manner and in the same amount as the real property taxes that would have been charged and payable against the Improvement if it were not exempt from taxation pursuant to Section 3 of this Ordinance. The Service Payments, and any other payments with respect to each Improvement that are received by the County Treasurer in connection with the reduction required by Sections 319.302, 321.24, 323.152 and 323.156 of the Ohio Revised Code, as the same may be amended from time to time, or any successor provisions thereto as the same may be amended from time to time (the "*Property Tax Rollback Payments*"), will be deposited and distributed in accordance with Section 6 of this Ordinance.

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Section 5. TIF Fund. This City Council establishes, pursuant to and in accordance with the provisions of Ohio Revised Code Section 5709.43, the Bridge Park Incentive District Municipal Public Improvement Tax Increment Equivalent Fund (the "TIF Fund"). The TIF Fund shall be maintained in the custody of the City and shall receive all distributions to be made to the City pursuant to Section 6 of this Ordinance. Those Service Payments and Property Tax Rollback Payments received by the City with respect to the Improvement of each Parcel and so deposited pursuant to Ohio Revised Code Section 5709.42 shall be used solely for the purposes authorized in the TIF Statutes or this Ordinance (as it may be amended or supplemented). The TIF Fund shall remain in existence so long as such Service Payments and Property Tax Rollback Payments are collected and used for the aforesaid purposes, after which time the TIF Fund shall be dissolved and any incidental surplus funds remaining therein transferred to the City's General Fund, all in accordance with Ohio Revised Code Section 5709.43.

Section 6. Distribution of Funds. Pursuant to the TIF Statutes, the County Treasurer is requested to distribute the Service Payments and the Property Tax Rollback Payments as follows:

(a) to Franklin County, Ohio, any amounts payable pursuant to Section 5709.40(E)(3) of the Ohio Revised Code or as otherwise established in a compensation agreement between the City and Franklin County, Ohio; and

(b) to the City, all remaining amounts for further deposit into the TIF Fund for (i) payment of costs of the Public Infrastructure Improvements, including, without limitation, debt charges on any notes or bonds of the City issued to pay or reimburse costs of those Public Infrastructure Improvements or finance costs for those improvements and/or (ii) payments pursuant to the Dublin School District Agreement and the Tolles Career Center Agreement.

All distributions required under this Section are requested to be made at the same time and in the same manner as real property tax distributions.

Section 7. Further Authorizations. This City Council hereby authorizes and directs the City Manager, the Director of Finance, the Director of Law, the Director of Development, the Clerk of Council or other appropriate officers of the City to make such arrangements as are necessary and proper for collection of the Service Payments and the Property Tax Rollback Payments. This City Council further hereby authorizes and directs the City Manager, the Director of Finance, the Director of Law, the Director of Development, the Clerk of Council or other appropriate officers of the City to prepare and sign all documents and instruments and to take any other actions as may be appropriate to implement this Ordinance.

Section 8. Tax Incentive Review Council. The applicable Tax Incentive Review Council, with the membership of that Council to be constituted in accordance with Section 5709.85 of the Ohio Revised Code, shall, in accordance with Section 5709.85 of the Ohio Revised Code, review annually all exemptions from real property taxation granted by this Ordinance and any other such matters as may properly come before that Council, all in accordance with Ohio Revised Code Section 5709.85.

Section 9. Filings with Ohio Development Services Agency. Pursuant to Ohio Revised Code Section 5709.40(I), the City Manager is hereby directed to deliver a copy of this Ordinance to the Director of the Ohio Development Services Agency within fifteen days after its effective date. Further, and on or before March 31 of each year that the tax exemption authorized by Section 3 remains in effect, the Director of Development or other authorized officer of the City is directed to prepare and submit to the Director of the Ohio Development Services Agency the status report required under Ohio Revised Code Section 5709.40(I).

Section 10. Open Meetings. This City Council finds and determines that all formal actions of this City Council and any of its committees concerning and relating to the passage of this Ordinance were taken in an open meeting of this City Council or any of its committees, and that all deliberations of this City Council and any of its committees that resulted in those formal actions were in meetings open to the public, all in compliance with the law including Ohio Revised Code Section 121.22.

Section 11. Effective Date. This Ordinance is declared to be an emergency measure necessary for the immediate preservation of the public peace, health, safety, and welfare of the City, and for the further reason that this Ordinance is required to be immediately effective in

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order to facilitate the orderly and timely development of the Project and the related Public Infrastructure Improvements; wherefore, this Ordinance shall be in full force and effect immediately upon its passage.

Signed:

Mayor - Presiding Officer

Attest:

Clerk of Council

Passed: _____, 2015

Effective: _____, 2015

EXHIBIT A

IDENTIFICATION AND MAP OF THE PARCELS

The enclosed area on the following map specifically identifies and depicts the Parcels and the boundaries of the Incentive District, and constitutes part of this **EXHIBIT A**. The Parcels include, without limitation, the tax parcels identified on the following map (as they existed in the County Auditor's records on June 1, 2015), and are included for ease of reference only.

EXHIBIT B

PUBLIC INFRASTRUCTURE IMPROVEMENTS

The Public Infrastructure Improvements consist of any “public infrastructure improvement” defined under Section 5709.40(A)(7) of the Ohio Revised Code and that benefits or serves parcels in the Incentive Districts and specifically include, but are not limited to, the “Public Improvements” described in any Development Agreement between the City and a developer of the Parcels (as may be amended from time to time) and any of the following improvements that benefit or serve parcels in the Incentive Districts and all related costs of those permanent improvements (including, but not limited to, those costs listed in Section 133.15(B) of the Ohio Revised Code):

- **Roadways.** Construction, reconstruction, extension, opening, improving, widening, grading, draining, curbing or changing of the lines and traffic patterns of roads, highways, streets, intersections, bridges (both roadway and pedestrian), sidewalks, bikeways, medians and viaducts accessible to and serving the public, and providing signage (including traffic signage and informational/promotional signage), lighting systems, signalization, and traffic controls, and all other appurtenances thereto within the Bridge Street District, including those improvements indicated in the City of Dublin Thoroughfare Plan, including, without limitation (a) the relocation of Riverside Drive (b) construction of John Shields Parkway from Riverside Drive to Village Parkway, (c) improvements to Tuller Road from Riverside Drive to Tuller Ridge Drive, (d) improvements to Riverside Drive between Emerald Parkway and SR 161, (e) improvements to the Riverside Drive/Tuller Road intersection, (f) construction of a roundabout at the intersection of US 33/Riverside Drive/SR 161, (g) improvements to accommodate on-street parking throughout the Bridge Street District, and (h) aesthetic improvements to roadways within the Bridge Street District;
- **Parking Facilities.** Construction or reconstruction of public parking garages or other facilities supporting the Improvements to the Parcels;
- **Water/Sewer.** Construction, reconstruction or installation of public utility improvements (including any underground municipally owned utilities), storm and sanitary sewers (including necessary site grading therefore), water and fire protection systems, and all appurtenances thereto;
- **Environmental/Health.** Implementation of environmental remediation measures necessary to enable the construction of the Project and the construction of public health facilities, including, without limitation, stream remediation;
- **Utilities.** Construction, reconstruction or installation of gas, electric and communication service facilities and all appurtenances thereto;
- **Stormwater.** Construction, reconstruction and installation of stormwater and flood remediation projects and facilities, including such projects and facilities on private property when determined to be necessary for public health, safety and welfare, including, without limitation, stream remediation;

- **Demolition.** Demolition, including demolition on private property when determined to be necessary for public health, safety and welfare;
- **Parks and Trails.** Construction or reconstruction of one or more public parks and recreation trails, including grading, trees and other park plantings, park accessories and related improvements, together with all appurtenances thereto, including, but not limited to (a) pedestrian bridges and underpasses and (b) improvements to the new public parks to be located between relocated Riverside Drive and the Scioto River;
- **Streetscape/Landscape.** Construction or installation of streetscape and landscape improvements including trees, tree grates, signage, curbs, sidewalks, scenic fencing, street and sidewalk lighting, trash receptacles, benches, newspaper racks, burial of overhead utility lines and related improvements, together with all appurtenances thereto, including, but not limited to streetscape improvements in conjunction with and along the roadway improvements described in "Roadways" above;
- **Real Estate.** Acquisition of real estate or interests in real estate (including easements) (a) necessary to accomplish any of the foregoing improvements or (b) in aid of industry, commerce, distribution or research; and
- **Professional Services.** Engineering, consulting, legal, administrative, and other professional services associated with the planning, design, acquisition, construction and installation of the foregoing improvements and real estate.



PARCEL ID KEY		
#	FD NUMBER	OWNER
1	272-013071	State Trust Authority
2	272-021120	Central Ohio Transit Authority
3	272-020037	4381 Ohio St Acquisition LLC
4	272-020038	4381 Ohio St Acquisition LLC
5	272-020034	BRWGS LLC
6	272-020034	BRWGS LLC
7	272-020038	BRWGS LLC
8	272-013407	City of Dublin Ohio
9	272-020037	BRWGS LLC
10	272-020037	BRWGS LLC
11	272-020031	BRWGS LLC
12	272-020034	BRWGS LLC
13	272-013408	City of Dublin Ohio
14	272-013408	City of Dublin Ohio
15	272-013407	City of Dublin Ohio
16	272-020040	City of Dublin Ohio
17	272-020040	City of Dublin Ohio
18	272-013408	City of Dublin Ohio
19	272-013408	City of Dublin Ohio
20	272-020038	City of Dublin Ohio
21	272-020034	BRWGS LLC
22	272-013404	City of Dublin Ohio
23	272-020033	City of Dublin Ohio
24	272-013408	City of Dublin Ohio
25	272-013408	City of Dublin Ohio
26	272-020038	City of Dublin Ohio
27	272-020034	City of Dublin Ohio
28	272-020034	City of Dublin Ohio
29	272-020037	City of Dublin Ohio
30	272-020038	City of Dublin Ohio
31	272-013408	City of Dublin Ohio
32	272-013407	City of Dublin Ohio
Total Parcels = 32		



EMHT
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CITY OF DUBLIN, FRANKLIN COUNTY, OHIO
EXHIBIT A
THE BRIDGE PARK RESIDENTIAL INCENTIVE DISTRICT

DATE: May 29, 2015
SCALE: As Noted
JOB NO.: 2013-1481

RECORD OF PROCEEDINGS
Dublin City Council

Minutes of

Meeting

DAYTON LEGAL BLANK, INC., FORM NO. 10148

April 13, 2015

Held

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CALL TO ORDER

Mayor Keenan called the Monday, April 13, 2015 Regular Meeting of Dublin City Council to order at 6:00 p.m. at the Dublin Municipal Building.

ROLL CALL

Members present were Mayor Keenan, Vice Mayor Gerber, Ms. Chinnici-Zuercher, Mr. Lecklider, Mr. Peterson, Mr. Reiner and Ms. Salay.

Staff members present were Mr. McDaniel, Mr. Smith, Mr. Foegler, Ms. Mumma, Chief von Eckartsberg, Ms. Crandall, Ms. O'Callaghan, Mr. Hahn, Ms. Puskardik, Mr. Earmann, Mr. Langworthy, Mr. Hammersmith, Ms. Rauch and Mr. Kridler. Also present was Mr. Daniels of Squires Patton Boggs.

ADJOURNMENT TO EXECUTIVE SESSION

Mayor Keenan moved to adjourn to executive session to discuss the purchase of property for public purposes, conferences with an attorney for the public body concerning disputes involving the public body that are the subject of pending or imminent court action, and personnel matters related to the appointment of a public official.
Ms. Chinnici-Zuercher seconded the motion.

Vote on the motion: Mr. Lecklider, yes; Ms. Chinnici-Zuercher, Mr. Peterson, yes; Vice Mayor Gerber, yes; Mayor Keenan, yes; Mr. Reiner, yes; and Ms. Salay, yes.

The meeting was reconvened at 6:30 p.m.

PLEDGE OF ALLEGIANCE

Ms. Chinnici-Zuercher led the Pledge of Allegiance.

PUBLIC HEARING

- Proposed Tax Increment Financing Incentive District – Ohio Revised Code Section 5709.40(C)

Ms. Mumma presented an overview. On March 23, she provided Council with an informational presentation regarding TIFs created under Section 5709.40(C) of the Ohio Revised Code. That particular section addresses TIFs on residential property, also referred to as incentive districts, which is the subject of this public hearing.

She noted that developer Crawford Hoying and the City are proposing the use of a 40(C) TIF within the Bridge Park development. This will allow improvements within the residential parcels to be considered a public purpose and exempt from taxation, but in its place, have a service charge levied or payment in lieu of taxes, which would be used to finance public improvements. The Crawford Hoying Bridge Park development currently has approximately 111 owner-occupied units proposed – 41 units on the west side of the river and 70 units on the east side of the river. The process to establish an incentive district under 5709.40 (C) includes notification to the property owners. Those notifications were sent via first-class mail on March 12, 2015 to COTA, Crawford Hoying and the City of Dublin, as the property owners within the proposed district. The public hearing, which is being held this evening, is the next step in the process. After the public hearing, staff will bring forward for Council consideration an ordinance that will create the incentive district. Currently, there are ongoing negotiations with Franklin County to come to an agreement with respect to revenue sharing, as required under Code. The proposal for this tax increment financing incentive district is over the entire Bridge Park development site. While it will only apply to owner-occupied residential facilities, it does preserve the ability that at some future point in time, the developer could convert any apartments or multi-family commercial units to owner-occupied residential. Any such change would be subject to provisions that would be negotiated within a development agreement.

After the public hearing tonight, staff will continue negotiations with the Franklin County Commissioners. Staff anticipates bringing forward a TIF ordinance for not only this

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incentive district but also a regular TIF district for first reading on May 4 with a second reading on May 18. These are estimated dates at this point in time.

Mayor Keenan invited public testimony.

Chris Amorosa Grooms, 5896 Leven Links Ct., stated that if past performance is the best indicator for future behavior, one should take a look at some of the development around Columbus that is as trendy as the one being contemplated in this TIF. The City Center Mall opened in 1989 at a cost of \$110 million to full tenants and fanfare – that was its best day. Twenty years later in 2009, the owners of the mall gave the development back to the City of Columbus free of charge. The “catch” was it would cost taxpayers \$10 million to tear it down. The total loss in value over those 20 years was \$120 million. The reason given for its failure was the construction of new malls closer to the suburbs and rising crime in the downtown area. The Continent opened in 1972 and was largely torn down in 1990 with similar investment loss. A few struggling businesses and apartments remain on the property today. The residential rents began at approximately the same level as those being proposed in the development contemplated this evening. The reason given for the failure of The Continent were high rents and traffic problems. Closer to home, Terrazza at Corazon had predicted valuations nearly 400% higher than current market value, resulting in a nearly \$7.2 million judgment against the developer. The reason given for its failure was the failure of the neighboring development, Corazon. Tonight, the City of Dublin is contemplating a 30-year straight TIF that will raise no incremental value funds to the school system, fire and EMS services, and the 10 other entities funded by property taxes. The difference between this TIF and the ones that have been used successfully in the past is that this TIF is being used to bring more apartment housing to the City of Dublin – housing that the City of Dublin's Tax Administration calls a revenue loser. The land it sits on will only generate a little over \$160,000/year for the school district. At today's cost, that will only educate 12 students. That education cost will almost certainly increase 200-500 percent over the next 30 years. Yet the funding will remain largely flat. The developer projects a mere 20-30 children living in this 800-unit apartment complex. While she does not agree that only 2.5% of all 800 one, two and three-bedroom apartments will generate one child, the result will undoubtedly be students attending Dublin Schools with no funding to pay for their education; residents in need of fire and EMS care with no funding to provide it; and other social service agencies without funding to serve the population. The choice is very clear to the residents of Dublin, should City Council proceed with its recent pattern of allowing this trendy development, using the Schools, the Township and other entity funds to construct a poor quality version of the trendy apartment boom. The choice to be made is to have a reduction in the quality of the schools, fire and EMS response time and other services, or to pay more in taxes. Muirfield Village, the City's first real residential development used no TIF dollars to fund its development – the development was entirely funded by the developer. In the early 1970s, developer Howard Adams was advocating for the development to the Village of Dublin's leaders. He indicated there would be no children in Muirfield Village because the houses would be so expensive that families would not be able to afford to live in them. The average home in Muirfield is now 30 years old. Imagine if Dublin Schools had no funding generated by that development to pay for all the students that have been educated over the past 30 years. She requests that Council not use this kind of TIF to promote this kind of development on this kind of real estate in Dublin – this real estate is some of the best the City has on its riverfront. The citizens will ultimately have to pay for the unintended consequences.

Mayor Keenan pointed out that comparing the Bridge Street development to the City Center Mall and The Continent is really comparing apples to oranges. There are many good reasons for pursuing this project, which Council has been reviewing for the past four-five years. In regard to the Schools, payments of \$50 million will be made to the Schools over the 30-year period – \$1.5 million/year. He invited staff to comment.

Ms. Mumma clarified that the City's compensation agreement with the School District does not call for a straight TIF for a 30-year period. Instead, in years one through 15 of any TIF created, the City would capture 100 percent of that. In years 16 through 30, the Schools

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capture ten percent of what they would have received had the exemption not been put in place. That is regardless of whether it is a CRA or a TIF, because both are exemptions. This is in addition to the \$1.5 million annually paid to the School District, which will total \$50 million.

Mr. Lecklider stated that his understanding is that the property in question with respect to the Crawford Hoying proposal is currently generating \$400,000/year in property tax revenue to the Schools.

Ms. Mumma responded that it is estimated as generating between \$350-\$400,000 for the property owned by Crawford Hoying at this time. There are some additional parcels that the City owns that are generating revenue, but that is only because the exemptions have not come through, based on the City's ownership. In order for the School District to receive \$1.5 million in revenue in any given year, based on today's commercial tax rates, it necessitates approximately \$65 million in new valuation being created.

Mayor Keenan stated that the vast majority of TIFs used in Dublin have proven to be of great benefit to all the entities – the School District, the Township and the City, over many years.

Denise Franz King, Chair, Washington Township Board of Trustees, presented a letter from the Board to Council and read it into the record. They have great faith that Dublin will honor their longstanding relationship and find a solution to the issues raised. She appreciates the opportunity to testify, as Council considers the pros and cons of implementing a new type of tax increment financing district (TIF), utilizing a Community Reinvestment Area (CRA), and moving forward with the Bridge Park New Community Authority. The Township understands that the City's motivation is to entice private development and finance capital improvements within the boundaries of the City of Dublin and Washington Township, since the boundaries of the City and Washington Township are largely co-terminous. The entities have a long history of collaborating for the best outcomes for our community. The letter intends to convey the Trustees' desire to continue to build on this foundation of trust and reciprocity for the benefit of the 43,000 citizens the City and Township share. For decades, the Township has served as Dublin's primary fire and EMS service provider. In this role, the Township has responded to Dublin's fast-paced growth by ensuring that residents and corporate partners receive the high quality emergency services that they desire. Last year, these services included answering nearly 5,000 emergency calls, one for every 17 residents and businesses within the community, and inspecting over 2,000 businesses for fire code compliance. The Township also supports the City by reviewing building and site plans, a function critical to fire and life safety. They also deliver safety education programs to Dublin's businesses, residents and schools. These services help protect over \$5.6 billion in appraised real estate, utility and personal property assets, and an undeterminable value in human life. Currently, the Township delivers all of its Fire services at a cost of \$412/resident per year. The City's desire to utilize economic development incentives that impact the property tax distribution is a significant concern to the Township. Development such as the one proposed with the ORC 5709.40(C) TIF, Community Reinvestment Area and the New Community Authority will demand more fire service, EMS and safety service than the development patterns assigned to that land today. The new pattern of land use will not cover these increased service demands for at least 30 years. In 2014, the City reported that the total assessed valuation for the City's TIF districts in Franklin County was \$489 million. That valuation is exempt from the Township's property taxes. That is a total of 22 percent of the Township's Franklin County tax base – more than the Township had expected. Further, the use of a Community Reinvestment Area with a TIF strips the Township from receiving any revenue from the commercial building owners or individuals who will be residing within the CRA for up to 15 years. With these future residents and corporations relieved of their share of the cost of emergency services, the cost burden will shift to the remaining property tax-paying residents and businesses. The City's aggressive approach to funding public infrastructure with property tax exemptions is not without consequences to the community. At a time when the City seeks growth, the Township is attempting to plan

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diligently to live within the resources approved by voters. If growth occurs without a way to capture revenue from the growth, the Township will have to employ one or both of the following options: (1) reduce the level of services and increase emergency response times; (2) seek voter approval for a tax increase and/or institute a fee for services. Another key concern to the Township is a change in State law in 2013, which removes the State funding for property tax rollbacks under certain scenarios. Property tax owners who enjoy these rollback provisions – as much 12.5%, will again become liable for those payments, if the Township needs to pursue a replacement or increased millage in a levy. The levy five-year cycle is up again this November. Under these scenarios, the Township does not necessarily experience significant gains in revenue. Rather, the State funding match is lost under that new law, and the property owner accepts the 12.5% increased tax burden. This shift in tax burden would be approximately \$40 for every \$100 (note: later corrected to \$40 for every \$100,000 of market value for a property. The average property value in Dublin is approximately \$300,000. The City's continued use of property tax exemptions increases the likelihood that the Township will have to increase the millage for Fire and EMS services to maintain them at the same level. While the City has the ability to offset expenses with other revenues, notably its income tax, the Township has no recourse. The Fire Department operates on its temporary five-year level. Their request is simple. As community partners, they ask that the City communicate with the Township regarding the City's desires and goals for the use of property tax exemptions. They also ask that the City recognize and remedy the negative impacts of redirecting the Fire Department's property tax funding for development.

Mayor Keenan stated that when he began service as a Washington Township trustee in 1983, their budget was approximately \$300,000. Today, the Township budget is well into the \$24 million range. Dublin has always utilized tax increment financing and, in large part, the growth of Dublin is due to those mechanisms. The Township has benefited immensely over the years. City Council will review this, similar to the New Community Authority issue related to Tartan West. City Council will take the Trustees' letter under advisement.

Mr. Lecklider inquired about the Township's current annual revenues versus expenditures. Ms. King responded that the annual expenditures for the Fire Department are approximately \$21 million. The Township is in the process of divesting itself of the Parks Department in order to concentrate on the main services of Fire and EMS. The Parks Department budget is \$600,000. The remaining balance is being used to prolong the levy, so that the voters do not have to be asked for as much as soon.

Mayor Keenan inquired about the total budget for the Township. Ms. King responded that the total annual budget is approximately \$24-25 million.

Mr. Lecklider asked for the total revenue figures. Ms. King asked Washington Township Administrator Ott to respond.

Ms. Ott stated that she would provide 2014 actual numbers. Fire Fund revenues were \$20.124 million; expenditures were \$20.037 million. She has heard reference to the fund balance for the Township. The intent is to spend down that fund balance and put it to use in lieu of having to ask for an increase in the levy. Diligent spending will allow that to happen, but the unknown factor is what will occur with additional tax exemptions in the community. The Township would like to work with the City to identify a positive resolution. Mayor Keenan inquired the total revenue amount for the Township. Ms. Ott responded that she does not have those figures that include the miscellaneous small funds – Roads and Bridges. Total revenue last year was \$22 to \$22.5 million. Mayor Keenan inquired if that includes inside millage in the General Fund. Ms. Ott responded that it does. The General Fund and Fire Fund are \$22.5 million.

Mr. Lecklider asked, to the extent that this contributes to the overall health of the local economy – if the increase in non-exempt properties could be significant over time. The

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Mayor made reference to the many TIFs the City has had in place over the years, and the significant increase in Township revenues over that same period of time.

Ms. Ott responded that the Township's current valuation just recently matched prior 2008 valuations, with just over \$2 billion for taxable valuation for the Township. If the City would like to work with the Township to identify what the number is, the Township would be very open to that. Is there some attributable factor? Yes. At some point, however, there is a saturation point when 22 percent of an entity's tax base is not contributing because their funds are being redirected into the pilot payments in lieu of that property tax. The Township's concern is that if the trend continues, that point of 22 percent will climb, shifting the tax burden to the rest of the property owners within the Township's jurisdiction.

Mayor Keenan stated that the City's concern is maintaining the health of the current corporate citizens who pay a large share of the tax. To that end, the consultants have indicated that the City needs this kind of development to have the work force that will serve those tech and bioscience businesses that want to locate to Dublin. It is a broader picture than just one development. It is an overall strategy that Council is employing. Ms. Ott responded that the Township is not opposed to growth. Instead, they are asking for dialogue and support in remedying the revenue issue that accompanies the service demands that the Township will have due to that growth.

Mayor Keenan inquired what the current fund balance is for the Township.
Ms. Ott responded that the 2014 year-end Fire Fund balance was \$19 million.

Ms. Chinnici-Zuercher stated that, currently, the ORC reads that Fire Departments are exempt from TIFs, unless otherwise identified.
Ms. Ott responded that Townships are not afforded the same protection as County agencies or School districts under the TIF law.
Ms. Chinnici-Zuercher stated that there is now legislation proposed to correct that problem.

Ms. Ott responded that is correct. The Ohio Township Association has been advocating for about eight years for a change to the statute to address that issue.

Mayor Keenan stated that the Township's letter will serve as a beginning of some dialogue on this issue.

Mr. McDaniel thanked the Washington Township trustees and Ms. Ott for reaching out and asking staff to attend their meetings recently. That has not yet occurred because he wants to have the correct numbers in hand. The proposed development needs to be a little more mature in terms of its concepts to avoid discussing incorrect numbers. He acknowledged their invitation and City staff will definitely attend soon with the needed information. He also pointed out that Ms. King had mentioned \$40 for every \$100 of market value property. It is \$40 for every \$100,000 – he wants the record to be correct. To make Council aware of how the numbers are looking at this time, the total value of property within the Bridge Street District is approximately \$321 million. The estimated revenues that will be generated for the Township are \$1.2 million per year, approximately six percent of its total revenue. The Crawford Hoving parcels under consideration currently generate about \$78,000 per year to the Township. If the proposed improvements occur, it could generate as much as \$800,000 per year to the Township. However, that would not be realized for a few years, and there could be service demands in the interim. Staff recognizes that and will work with the Township relative to those potential increases in service demands. However, these kinds of tools are critical to consider when discussing redevelopment. Previously, the City of Dublin has not leveraged these kinds of economic development tools with opportunities for redevelopment, because those opportunities have not existed. As the City's Economic Development Director for ten years, he was unable to achieve any movement on this property until the Bridge Street District was created. He was surprised that the Dublin Village Center was not mentioned as an example of failure, as it has experienced declining property values for the past

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decades. These issues need to be addressed relative to bringing value that does ultimately help schools, townships and others to collect revenue in the future.

Ms. Salay stated that the total Bridge Street District currently generates \$321 million in tax revenue, with \$1.2 million going to the Township. The part under consideration tonight brings \$78,000 in revenues to the Township at this point versus potentially \$800,000 in the future,-- should the development occur.

Mr. McDaniel responded that the Township's point is that with the proposed TIF, they will not realize that revenue for a number of years. However, that level of revenue is what could potentially be generated in the future.

Ms. Salay stated that the central question is if the community is going to grow and change or not. In order to remain healthy and viable, a community must grow and change. The issue is how is it going to do that? The City can redevelop or grow out. The City is choosing to redevelop what exists -- Dublin Village Center and Bridge Pointe Shopping Center. Five to six years ago, Council began to consider carefully the future of Dublin and what was needed to keep the City as economically sound going forward as it has been in the past. The five years of study has brought the City to this point tonight. It is frustrating, however, when there is an insinuation that Council is not being fiscally responsible.. That could not be further from the truth.

Mayor Keenan stated that he was recently visiting with a friend in Knoxville who had traveled to Greenville, SC -- the community Council visited several years ago to view their redevelopment. He shared that Greenville is vibrant with an incredible downtown. Dublin is trying to achieve something similar with Bridge Street.

Mayor Keenan closed the public hearing. He acknowledged Trustee Bostic and Chief O'Connell who were in the audience as well.

PROCLAMATION/SPECIAL RECOGNITION

- National Volunteer Week -- April 12-18

Mayor Keenan presented a proclamation in honor of National Volunteer Week to David Frisora, Director of Government Relations and Corporate Affairs, The Wendy's Company. The Wendy's Company has been an instrumental volunteer group over the years for the Dublin community. In 2014, associates volunteered in the City's parks system with a large beautification planting at Avery Park. In the fall, they dispersed to all 56 parks for "A Walk in the Park," where they provided live web-based feedback on park conditions and maintenance. Wendy's will once again be conducting a parks project in May of 2015.

SPECIAL PRESENTATIONS

- National Citizen Survey -- Martin Saperstein, Saperstein & Associates

Martin Saperstein, Saperstein & Associates presented the results of the National Citizen Survey (NCS) and a recap of the findings regarding the Bridge Street District from several forums and surveys. The National Citizen Survey was conducted by the National Research Center. The Bridge Street District section contains some data that his firm collected and also comes from the custom questions from the NCS. He shared results for the community in total, but noted that the results are also available by ward.

Approximately 2,000 Dublin households received questionnaires via mail in the first week of January. The questionnaires contained more than 130 individual questions. By mid-February, 780 questionnaires had been returned -- a response rate of 40%. For a mail survey, that is a good response rate. Part of the response rate is due to the high interest nature of the survey. The NCS is structured on three pillars:

- (1) Community Characteristics - what makes a community livable, attractive, and a place people want to be.
- (2) Governance -- how well does the City government meet the needs and expectations of its residents (Police, Fire, snow removal, garbage collection).
- (3) Participation -- are the residents of Dublin connected to the community and each other.

The results of the survey are compared with NCS 82 benchmark districts across the country.